December, 2025

Health and Global Policy Institute (HGPI) Health System Sustainability Project

Balancing Sustainability and Innovation in the Healthcare System:

Key Perspectives for Pharmaceutical Pricing System Reform

Recommendations Summarizing FY2024-2025 Activities

Background

As healthcare becomes more sophisticated and Japan's senior population grows, national healthcare expenditures are on the rise. While some believe that this will decelerate in the future based on the ratio of healthcare expenditures to gross domestic product (GDP), the aging of the population means that a certain amount of growth will be unavoidable. The Organisation for Economic Co-operation and Development (OECD) has projected that ratios of healthcare expenditures to GDP in member economies will continue to rise in the future. In this context, appropriately evaluating healthcare innovation while building sustainable healthcare systems is an urgent issue currently faced by Japan and many other countries with public healthcare systems.

The health insurance system in Japan is designed to provide universal health insurance based on a social insurance system, the foundational concept of which is mutual assistance provided through insurance premiums and out-of-pocket payments from patients. In FY2021, national health expenditures reached 45.0 trillion yen. Of that total, out-of-pocket payments from patients accounted for 12.1% (or 5.4 trillion yen), while 87.9% (or 39.6 trillion yen) was covered by health insurance and similar sources (Ministry of Health, Labour and Welfare (MHLW), *FY2021 Estimates of National Medical Care Expenditure, Overview*). However, examining the breakdown for health insurance (medical benefits expenses), we see that only 53% was covered by insurance premiums (22.3 trillion yen), with Japan relying on public funds to cover 32.5% (13.7 trillion yen). The annual increase in the share covered by public finances is primarily for the Medical Insurance System for the Advanced Elderly and National Health Insurance (NHI), the latter of which is provided by municipal governments. On the other hand, while the out-of-pocket payment rate for medical services for members of the working-age generation is set at 30%, owing to the effects of frameworks that directly institutionalize the principle of "mutual assistance" (such as the High-Cost Medical Expense Benefit system), these payments have been kept to about 12% of total healthcare expenditures. In relative terms, out-of-pocket burdens have been somewhat reduced, but the financial burden of the entire system continues to grow.

The working-age generation plays a central role in supporting the healthcare system, but as their numbers shrink and GDP growth remains low, patients, other people with lived experience of health concerns, and citizens are seeing their ability to bear insurance premiums and taxes while experiencing a growing sense of burden. The national burden ratio, which is the proportion of tax and social security burden to national income, has increased from 24.3% in FY1970 to 45.8% in FY2024. Over that same period, the social security burden ratio has more than tripled, from 5.4% to 18.0% (Ministry of Finance, *National Burden Ratio Trends*). To ensure healthcare system sustainability and to advance systemic reform in the face of such severe financial circumstances, it will be vital to hold discussions and build consensus in a manner that reflects the values and opinions of patients, affected parties, and citizens.

Against this backdrop, after conducting hearings centered on the perspectives of patients and others with lived experience, Health and Global Policy Institute (HGPI) compiled these policy recommendations on balancing both sustainability and innovation in Japan's healthcare system with a particular focus on drug pricing policy. In the effort to maintain an environment in which all people can access safe and reliable healthcare services, it is our sincere hope that these recommendations serve as a reference for participants in policy formulation and that the acts of formulating and publicizing these recommendations will help build societal consensus.

Discussion Point 1: Streamlining and optimizing the entire healthcare system

Recommendation 1: Rapidly and continuously visualize nationwide healthcare spending

The breakdown of insurance benefit funding (the amounts covered by insurance premiums and public funds) and out-of-pocket patient contributions must be further visualized for the entire country to allow every patient, affected party, and citizen to grasp the overall picture of the healthcare system. Every year starting in FY2020, the MHLW has been preparing and publishing reference materials that focus on financial resources for health insurance titled, "Visualization of Healthcare Expenses." Using graphs and other visual tools, this document aims to build broad citizen understanding of financial resources and other frameworks in the health insurance system. In addition, efforts to encourage visualization in the field of social security have consistently been included in the process chart for the Economic and Fiscal Revitalization Plan. However, that data is already around two to three years old by the time it is published.

In the future, steps should be taken to make visualization as immediate as possible and to establish an environment in which citizens can quickly understand the state of health insurance finances. A great amount of the information that serves as the basis for visualization is already being presented in a timely manner. For example, the financial balance for the entire health insurance system is published annually around December in the "Financial Structure of the Health Insurance System" chart (MHLW, *Basic Data on Medical Insurance*) and, in the following fiscal years, information providing overviews of and growth in healthcare spending is published by the Medical Information Analysis System (MEDIAS) in "Recent Trends in Medical Expenses." To ensure the entire healthcare system can be streamlined and optimized as medical service fee and drug price revisions become more frequent and as opportunities for listing increase, it will also be important that policymakers, patients, affected parties, and citizens can obtain up-to-date and easy-to-understand information and be able to make swift contributions to discussions on healthcare system sustainability over the long term.

In the future, empirical verification will be needed to determine if promoting visualization directly contributes to controlling healthcare spending. Visualization is only intended to promote understanding among citizens and to establish a foundation for discussions, so continuous monitoring on its impact must be conducted. Furthermore, to enhance the effectiveness of visualization, rather than to simply publicize data, it will also be necessary to devote attention to and carefully examine information content and presentation methods to ensure that citizens can obtain a clear understanding of the relationship between benefits and burdens as well as see the overall picture.

Recommendation 2: Promote the visualization of individuals' healthcare expenses and medical service use in an integrated manner

To enable patients, others with lived experience of health concerns, and citizens to accurately see the whole picture of the breakdown of insurance benefit funding and out-of-pocket patient contributions as well as the balance between the insurance premiums they pay and healthcare expenditures, steps must be taken to visualize the content of medical services and related information in an integrated manner. The need to clarify actual circumstances surrounding the current billing system has also been pointed out. It is currently possible to track total healthcare costs and out-of-pocket payments using receipts issued by healthcare institutions, which list the number of points applied for both inpatient and outpatient services. However, those receipts only list the cost per visit and there are other items that require consideration for inclusion, such as the total annual amount the user has spent at that institution.

Additionally, starting in FY2028, it will be mandatory for all healthcare institutions and similar facilities to provide itemized statements. Such statements clearly indicate items like individual medical procedures, drugs used, or tests performed, as well as the points those items are assigned in the medical service fee schedule. This informs patients of the details and prices of the healthcare services they received that day at a glance, thereby establishing an important part of the foundation for information disclosure. While the formats used for such itemized statements reflect MHLW preparation standards, since they are based on medical service fee claims statements, they generally list the number of points assigned.

In the context of healthcare system sustainability, these statements offer room for improvement. For example, formats that list prices in yen to help patients and other affected parties perceive the costs of medical services in

more familiar terms should be actively considered. If formats that include reimbursement points are kept, another option might be to list points and prices for each item instead of points alone. However, ample consideration must be given to the increased administrative burden that switching to statements with prices listed in yen will place on healthcare institutions, as well as to corresponding measures to support that transition.

While frameworks that allow individuals to check their total annual healthcare expenses are being implemented through tools like the MyNa Portal, the usage rates of such tools are still low. It may be that people find it difficult to feel the relationship between the services they receive (the benefits) and the insurance premiums and taxes they pay (the burdens) just by seeing their total healthcare expenses. Conveying the relationship between benefits and burdens to each person in a clear and intuitive manner will require devising effective information provision methods, such as by presenting individuals with comparisons of the premiums they paid and the benefits they actually received.

Recommendation 3: Consider unifying indicators for healthcare system efficiency and adequacy

After taking steps to streamline and optimize the healthcare system through visualization measures, it will be necessary to evaluate and take action for efficiency and adequacy. A number of problems related to healthcare efficiency have been observed in medical practices in Japan. These include longer hospital stays than other countries, redundant medical consultations, polypharmacy, and the prescription of antimicrobials for the common cold (which is viral). In recent years, there has been progress in data-based research analyses aiming to identify medical practices with little evidence and that do not contribute to patient health outcomes, which is referred to as “low value” or “no value” care.

This movement itself is something that we should welcome. However, examining polypharmacy, for example, there have been long-standing concerns about effectiveness and adequacy, but the lack of a basic definition for “polypharmacy” has created an environment in which data utilization and analysis are difficult. Specifically, guidelines presented by the Japan Geriatrics Society state, “Considering real-world circumstances surrounding prescriptions for senior citizens, it is appropriate to consider the prescription of over five or six drugs as the standard for ‘polypharmacy.’” On the other hand, guidelines for the formulation and implementation of health data plans created in accordance with the Health Insurance Act set a shared evaluation indicator called the “polypharmacy rate” for both 6 drugs and 15 drugs. Meanwhile, the Medical Cost Optimization Plan states that prefectures shall calculate expenditures for “senior citizens age 65 and over who are being prescribed nine or more types of drugs.” The medical service fee schedule also includes a measure related to polypharmacy called the “seven drug rule,” by which premiums for inpatient prescriptions, outpatient prescriptions, and pharmaceuticals are reduced by 10% when “seven or more oral medications are administered with a single prescription.” Finally, while outside of the scope outside of health (or social) insurance, there are also notices issued in the Medical Assistance system (which is part of livelihood protection) which state that “people who are administered 15 or more drugs in the same month” are eligible for guidance on polypharmacy.

Of course, the criteria for polypharmacy varies by patient background and it may be impossible to draw a line that applies to all people, but there is no rational reason that the number of prescriptions that can be considered medically appropriate should differ according to plan, guideline, or financial resource. Japan introduced digital prescriptions in January 2023, creating an environment in which both clinical healthcare professionals and policy researchers can easily check for redundant prescriptions or polypharmacy. By utilizing new information infrastructures and holding discussions that encompass medical, social, and ethical validity, it is desirable that ministries, departments, and academic societies cooperate and unify definitions irrespective of the type of plan, policy, or financial resource to help streamline and optimize healthcare in the future. In addition to optimizing the content of medical examinations performed in real-world clinical settings, as the healthcare provision system can influence examination-seeking behavior or medical practices, it will also be necessary to continuously examine its ideal structure (such as by reinforcing primary care physician services, or by fostering collaboration among medical facilities and categorizing them by function) to improve efficiency throughout the healthcare system.

Discussion Point 2: Optimizing annual insurance benefit expenditures

Recommendation 1: Continually assess insurance listing practices for pharmaceuticals

As medical technology advances, new pharmaceuticals are being developed in rapid succession, and certain pharmaceuticals are taking on new roles in clinical settings. Japan has a framework in place to consider removing or reducing points assigned to existing technologies when new medical technologies are proposed for insurance coverage listing. Several medical technologies are removed when the medical service fee schedule is revised once every two years, but they sometimes number ten or more. When the medical service fee schedule is revised, approximately 1,000 proposals are submitted, but not all of them are listed. Around 150 to 400 new medical technologies are listed for insurance coverage each year. It will be important to give ongoing consideration to insurance coverage practices. For example, one option might be to introduce a similar framework for pharmaceuticals.

In Japan's healthcare system, applicants can have their pharmaceuticals added to the drug price list within 60 to 90 days after obtaining regulatory approval. Almost all choose to do so, and about 50 to 100 new pharmaceuticals are listed each year. The number of approved pharmaceuticals in Japan reached approx. 17,500 in March 2025 and continues to increase. In the international community, discussions on revising the scope of insurance coverage for pharmaceuticals are divided. While referring to knowledge regarding Health Technology Assessment (HTA) systems from other countries and working with the intent to strike a balance between securing pharmaceutical access and maintaining sustainability for insurance finances, priorities for listing should be set and the scope of insurance benefits for pharmaceuticals with changed clinical roles should be reviewed. Before these two actions can be taken, however, concrete discussions on how to best set prices must be held and should involve stakeholders like patients, healthcare providers, insurers, and pharmaceutical companies. Overseas, the National Institute for Health and Care Excellence (NICE) in the UK and the National Evidence-based Healthcare Collaborating Agency (NECA) in South Korea involve parties such as patients and other affected parties in HTA deliberation processes, where their experiences and values are reflected when considering usefulness or cost-effectiveness for technologies.

Another reason to review insurance coverage listing practices for pharmaceuticals should be to help secure access to necessary pharmaceuticals through measures like eliminating drug lag or drug loss. Drug lag occurs when drugs are approved in Europe and the US but not in Japan, while drug loss occurs when drugs are not developed in Japan from the outset. While Japan approves about 50 new molecular entities (NMEs) per year, both drug lag and drug loss are problems for Japan. This is especially the case for drugs developed by new biopharmaceutical ventures without Japanese subsidiaries and for drugs in areas like rare diseases and pediatric medicine, and further improvements will be necessary.

It will also be essential to ensure prices and secure stable supplies for basic pharmaceuticals, especially those that are inexpensive and of high quality.

Recommendation 2: While keeping the multifaceted nature of value for pharmaceuticals in mind, appropriately evaluate pharmaceuticals and pay particular attention to innovative products

The shift in the focus of pharmaceutical R&D from small molecule drugs to biopharmaceuticals has led to the development of innovative drugs for diseases that had previously been difficult to treat. These pharmaceuticals contribute greatly to patient health outcomes, but tend to be expensive. On top of this, many must be taken for long periods of time. Japan uses two methods to price new drugs: the similar drug efficacy comparison method, which is used when drugs with similar effects exist; and the cost accounting method, which is used when they do not. In recent years, these methods have been utilized for about 70% and 30% of applications, respectively. Since the drug pricing system was reformed in FY2018, a correction mechanism like that used in the similar drug efficacy comparison method was added to the cost accounting method. While there is room for discussion on how to best apply the correction mechanism, its inclusion has enhanced this framework so that innovative aspects like novelty and speed can be evaluated regardless of which pricing method is used. There is also an ongoing change underway in the environment, with increasing consideration being given to factors other than conventional medical or scientific values. These include efficacy, effectiveness, and safety as demonstrated in strictly-controlled clinical trials.

Given this context, we must deepen discussions on the future utilization of patient-reported outcomes (PROs) and similar items. Specifically, value for society can be generated by having patients or other affected parties share their lived experiences with physical function limitations caused by symptoms like pain, itching, or swelling; by eliminating productivity losses; or by reducing the burden of long-term caregiving. In the area of infectious disease, value generated in terms of public health is also important. When deepening such discussions, it will be necessary to do so with an understanding of the differences among effectiveness in terms of regulatory approval, additional benefit (which denotes medical usefulness when compared to existing similar drugs) during pricing, and cost-effectiveness evaluation (which is based on incremental cost and effect when compared to existing treatments), and to take the objectives and limitations of each evaluation system into account.

Another key issue will be addressing arrangements directly related to market expansion recalculations that are performed when the indications of new drugs are expanded. The current system for price adjustments is designed in a manner that the prices of innovative drugs are reduced significantly if they achieve widespread adoption in clinical settings and their sales increase, and this negatively impacts sustainability for innovation. In addition to hopes for new drug development, there are also high expectations for the expansion of indications for existing drugs, especially in rare diseases and other areas where the development of innovative new drugs is difficult. However, Japan's current system is not fully in line with such expectations. One item currently being examined in-depth is how the exemption that can be used to recalculate premiums for market expansions (the expanded market exemption premium) clearly demonstrates to society that such recalculations contribute to maintaining the universal health insurance system. Even the name of the premium is under consideration. Instead of the original proposed tentative name, the "Price Adjustment for Reducing the Burden on Citizens," the current proposed tentative name is the "Price Adjustment for Sustainable Health System and Sales Scale" (PASSS). The Government is currently advancing efforts to appropriately evaluate innovative drugs (including through Pharmaceutical Industry Vision 2021) and to reinforce the drug discovery ecosystem. It will be important to hold detailed discussions and to keep pace with developments in such efforts.

Recommendation 3: Give special consideration to arrangements in the drug pricing system that will ensure stable supplies of key pharmaceuticals for infectious disease control

Even if their use is limited during periods of non-emergency, drugs for infectious disease control like antibiotics and antivirals are necessary for responding to pandemics or antimicrobial resistance (AMR). As such, maintaining a stable supply of these drugs is an essential element of medical security. However, in the current drug pricing system, drug price revisions are based on actual market prices, which are determined by usage volume. This arrangement not only impacts distribution and business practices, but it also makes it so that the lower the demand for an infectious disease treatment is during periods of non-emergency, the more likely gaps are to emerge between the market transaction records that this system is based on and the security provisions that society actually requires. When drug prices decline as a result of this dynamic, it makes profitability worse for pharmaceutical companies, causing them to withdraw from manufacturing. This is also a factor for supply instability.

In fact, antimicrobial shortages are already becoming pronounced, and those serving in medical settings are struggling to secure alternatives. Additionally, the COVID-19 pandemic highlighted the fragility of domestic development and supply systems for therapeutics and vaccines. Efforts are now advancing to respond to these issues, mainly by strengthening development and production systems. These efforts include the review of the priority pathogens list or holding discussions on securing medical countermeasures (MCMs) at bodies like the Communicable Disease Council. However, from the perspective of medical security, it will also be necessary to give special consideration to the drug price system and cost-effectiveness evaluation for pharmaceuticals in the area of infectious disease to prepare for future emerging or re-emerging infectious disease crises. Specific items that require consideration include mechanisms for guaranteeing prices for certain drugs, setting prices in a manner that is linked to stockpiling systems, and a mechanism for reflecting value in terms of public health in drug pricing.

In addition to measures introduced through the drug pricing and cost-effectiveness evaluation systems, other key issues for ensuring stable supplies of infectious disease drugs will be diversifying active pharmaceutical ingredient suppliers and securing domestic manufacturing bases to reinforce the entire supply chain. As this is also an issue

of growing importance from the perspective of security, we must consider related measures in an integrated and comprehensive manner.

Recommendation 4: Parties like the government, communities, and healthcare institutions should co-create an environment in which healthcare institutions and other facilities can manage and provide innovative pharmaceuticals without hesitation or waste

The national Government, communities, healthcare institutions, and similar stakeholders must co-create an environment in which healthcare institutions and pharmacies can provide high-cost pharmaceuticals to the patients who need them, without hesitation. One issue is related to the sales packaging of high-cost pharmaceuticals, where the number of formulations impacts the complexity of pricing. Addressing this will require adopting formulation designs that are suited to real-world circumstances while taking trends in the international community into account. The increase in the number of high-cost pharmaceuticals has also led to increased need for a framework that encourages reduced inventory burden or disposal risk. Many pharmaceuticals are sold in packaging units that include doses for multiple patients as single sets. This leads to significant burdens for healthcare institutions or pharmacies, such as when some doses go unused. This issue will require ingenuity from stakeholders like communities and healthcare institutions as well as the national Government.

In addition to these unique frameworks and inventive efforts from national Governments, regions, healthcare institutions, or other stakeholders, it will also be important to make domestic systems and standards related to pharmaceuticals more consistent with those of the international community. For example, it has been reported that setting dosages that are unique to Japan in global clinical trials can make it difficult for Japan to participate in international clinical research. Another reason it will be vital to harmonize domestic standards with international standards is to secure opportunities for Japanese patients to access the latest treatments. Japan has a number of structural issues that must also be addressed to support participation in global clinical trials. These include establishing systems for conducting clinical trials, aligning pharmaceutical regulations with international standards, and accelerating the review process. While the main focus of these recommendations is the improvement of operational aspects related to the management or use of pharmaceuticals, we also look forward to seeing efforts to examine these structural issues advanced in parallel.

Discussion Point 3: Optimizing insurance benefit revenue

Recommendation 1: Meet discussions on increasing the tax burden head-on and, among items to be considered, prioritize social insurance premium hikes and the ability-to-pay principle or other burden structures

We must note that reducing drug prices should not be the sole focus of reducing healthcare spending to maintain healthcare system sustainability. According to "Annual Trends in the Costs of Pharmaceuticals, etc." from the Central Social Insurance Medical Council, spending on pharmaceuticals accounts for only about 22% of the total cost of healthcare. It will be essential for discussions to shift to labor costs for healthcare professionals and medical service fee reimbursements, as these account for the majority of expenditures. On the other hand, given the need to respond to items like wage increases and work style reform, regardless of whether the emphasis is placed on these items or drug spending, Japan is reaching the limits of what can be achieved only through expenditure management alone.

Japan's social security system, including its health insurance system, has been supported by the framework of employee insurance schemes that are based on long-term employment in the private sector. As a result, in all regions of Japan, citizens have been able to live with peace of mind while shouldering relatively small burdens. However, it has been pointed out that Japan's social security system is currently structured around "medium welfare and low burden." As Japan's population ages, benefits continue to increase while the working-age generation that supports those benefits is shrinking. Maintaining the current structure of Japan's social security system will require a fundamental review of how burdens can be best arranged.

In FY1970 to FY2024, the national burden ratio increased from 24.3% to 45.8%, while the social security burden ratio more than tripled from 5.4% to 18.0% (Ministry of Finance, *National Burden Ratio Trends*). As the population continues to age, the pressure caused by the social security burden is expected to grow. It will be necessary to hold comprehensive discussions on how to best structure benefits and burdens to make both the social security and healthcare system sustainable. However, consumption tax and other indirect forms of taxation tend to be regressive, so it will be vital to examine systems designed with the impact on low-income groups in mind or to implement measures to mitigate that impact. At the same time, we must note that consumption tax and other sources of tax revenue are positioned as important revenue sources for social security (including healthcare, long-term care, pensions, and support for child-rearing) and form part of the framework for income redistribution for society as a whole. Therefore, in discussions on increasing these burdens, we must perform careful analyses of and provide thorough explanations on the distributional impact for each age and income group. When discussing how burden should be distributed, it will also be important to delve into how insurance premiums are structured in the current system (including how they are split among labor and management), which is based on a social insurance system. Additionally, when discussing the investment of public funds, the basis for doing so and how those funds will be positioned within the design of the system must be clarified.

Recommendation 2: Deepen discussions on the design of healthcare subsidies from local governments based on the underlying concept of insurance

The purpose of public health insurance is to provide financial protection against the risk of severe diseases for which individuals cannot fully bear the financial burden, with the assumption there will be a certain degree of co-payments (deductibles). On the other hand, it has become common for subsidy programs provided by local governments to serve as child-rearing support measures, such as free healthcare for infants and toddlers.

The basic principle of Japan's social security and health insurance systems is the ability-to-pay principle, which requires people to shoulder a burden that is reasonable for their income level (or economic capacity). Frameworks that eliminate out-of-pocket costs or provide cash benefits in a uniform manner across income levels extend those same benefits to high-income individuals, leading to inconsistencies with the ability-to-pay principle. It has also been pointed out that providing an excessive amount of free healthcare can encourage unnecessary healthcare demand, so it will be important to convey the interlocking nature of benefits and burdens from the perspective of healthcare system sustainability.

However, when reviewing healthcare subsidies provided by local governments, ample consideration must also be given to social acceptability. As healthcare subsidies and similar programs are well-established resident services, sudden changes to these programs may cause major impacts on residents' daily lives. When considering the

review of such programs, it will be necessary to hold thorough discussions and implement a smooth transition process that include giving consideration to gradual transition measures and accommodations for low-income groups, as well as developing alternative support measures. Furthermore, national discussions must be deepened on the significance of the capacity to provide uniform prices and services nationwide to ensure consistency with the medical service fee and drug pricing systems.

When considering the ideal structure of local governments' healthcare subsidies, attention must also be paid to the role of National Health Insurance (NHI), which is a program that has deep involvement from local governments. While prefectural governments are responsible for its financial administration, NHI is jointly operated together with local governments and serves as a key foundation for universal health coverage that provides baseline coverage based on the principle of mutual assistance. However, a number of structural issues related to NHI financing have been identified. These include aging among NHI enrollees, growth in low-income groups, and structural changes that have occurred alongside greater coverage for employee insurance schemes. In light of these issues, expectations are high for continued and deeper consideration of resourceful system operations and the best methods of providing support.

Conclusion: Optimizing drug pricing and building consensus among patients, others with lived experience, and citizens

These recommendations presented discussion points on balancing healthcare system sustainability and innovation from three main perspectives, with a focus on drug pricing reform. The first was streamlining and optimizing the entire healthcare system, the second was optimizing annual insurance benefit expenditures, and the third was optimizing insurance benefit revenue.

In Japan's current system, the two main activities of insurers are insurance benefits and health services, and in these capacities, they play significant roles in streamlining and optimizing the current healthcare system from the perspective of prevention. Insurers support prevention efforts by providing health checkups and engaging in health promotion, and expectations are high for them to further strengthen such activities. The insurance benefits they provide also include the provision of disability benefits for people who become sick or wounded. Through such benefits, people can receive approx. 60% of their salary, paid by the insurer, for up to 18 months. Among claims for disability benefits, the number of applications for mental health problems is on the rise, and the total amount of disability benefits paid by the Japan Health Insurance Association alone can reach almost 15 billion yen per month. Furthermore, these benefits have been granted to more women than men since FY2021. Insurance premiums are structured in a manner that payments are split between individuals and their employers, so active involvement from employers is also necessary. Because preventive approaches, including those for mental health, can contribute to reducing healthcare spending and extending healthy life expectancy, it will be particularly important to engage in earnest efforts for prevention.

Such issues can only be visualized once data analysis on medical claims and all varieties of statistics is being performed in a continuous manner, and it will be essential to further strengthen evidence-based policy discussions. We look forward to efforts from diverse stakeholders including patients, others with lived experience of health concerns, and citizens to reach consensus on a future vision of the drug pricing and healthcare systems through discussions that are underpinned by scientific evidence and data analysis.

Limitations of these recommendations and future issues

The objective of these recommendations is to summarize key issues in balancing sustainability and innovation in the healthcare system and to set a direction for policy discussions from that perspective. While we believe that their direction is consistent with global policy trends and financial perspectives, we recognize that there are several remaining issues that must be addressed if these recommendations are to be implemented as concrete policy.

To begin, these recommendations do not include quantitative estimates of the impact of each measure. In the future, more precise analyses must be conducted to project how much healthcare spending will decrease or tax revenue will increase, and to determine the costs associated with each measure. Second, these recommendations lack distributional impact analyses by generation and income bracket for measures that are related to an increased burden. In particular, careful additional analyses must be conducted on regressive measures and how they will affect low-income groups. Third, debate in the international community is divided in areas related to best practices for the listing and stable supply of pharmaceuticals. Addressing these issues will require accumulating further knowledge, and this includes conducting comparative studies with various countries to examine frameworks and innovative efforts for the appropriate and efficient use of medical resources. Fourth, we must examine political and systemic feasibility, social acceptability, and consensus building in a more concrete manner.

Given these limitations, these recommendations are to be positioned only as a starting point for policy discussions. Moving forward, we hope to develop them into more effective policy proposals by holding conversations with stakeholders and by conducting additional analyses.

Healthcare system sustainability is not only an issue that impacts certain stakeholders; it is a problem that involves all citizens. Maintaining current standards for benefits while securing access to innovative drugs and medical technologies will require discussions that meet these issues head-on, including how to best arrange the burden. We sincerely hope that these recommendations provide opportunities for constructive dialogues among broad stakeholders representing industry, government, academia, and civil society and can contribute to making society a place where all people can access appropriate healthcare with peace of mind.

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Regarding the independent nature of these recommendations

We express our deepest gratitude to everyone who lent their cooperation in our hearings. These recommendations were compiled by Health and Global Policy Institute in its capacity as an independent health policy think tank. They are based on the discussions held at our hearings and meetings and do not in any capacity represent the opinions of related parties or their affiliated organizations.

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In addition to the parties listed above, we received invaluable input from many other parties, including those who participated anonymously.

About Health and Global Policy Institute

Health and Global Policy Institute (HGPI) is a non-profit, independent, non-partisan health policy think tank established in 2004. In its capacity as a neutral think-tank, HGPI involves stakeholders from wide-ranging fields of expertise to provide policy options to the public to successfully create citizen-focused healthcare policies. Looking to the future, HGPI produces novel ideas and values from a standpoint that offers a wide perspective. It aims to realize a healthy and fair society while holding fast to its independence to avoid being bound to the specific interests of political parties and other organizations. HGPI intends for its policy options to be effective not only in Japan, but also in the wider world, and in this vein the institute will continue to be very active in creating policies for resolving global health challenges. HGPI's activities have received global recognition. It was ranked second in the "Domestic Health Policy Think Tanks" category and third in the "Global Health Policy Think Tanks" category in the Global Go To Think Tank Index Report presented by the University of Pennsylvania (as of January 2021, the most recent report).

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